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178257

March 2, 2006

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Management Review Audit of Water Services Corporation

Dear Mr. Terreni:

In the May 4-5, 2005 hearing for Carolina Water Service Inc.'s request for an increase in rates for water and sewer service, docket number 2004-357-W/S, the Office of Regulatory Staff (ORS) informed the Public Service Commission (Commission) that it intended to perform a management review audit of Carolina Water Service Inc. and its affiliated companies. The purpose of the audit is to determine whether there may be cost savings due to efficiency measures which could be passed on to consumers in the form of lower rates.

ORS has initiated a Request for Proposal (RFP) process with the SC Materials Management Office. ORS is seeking a contractor to conduct a management audit of Water Services Corporation with regard to five subsidiary water and wastewater companies operating in South Carolina. Water Services Corporation ("the Company"), headquartered in Northbrook, Illinois, is the parent company of Carolina Water Service, Inc., Tega Cay Water Services, Inc., Utilities Services of South Carolina, Inc., Southland Utilities, Inc., and United Utility Company, Inc. The contractor is requested to conduct a management audit on Water Services Corporation in the following three areas: 1) Basic Corporate Decision-Making; 2) Major Operational Activities; and 3) Staff Functions. The final report is to be submitted to ORS within six (6) months of the award date. The estimated award date is April, 2006.

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Once the successful offeror has been selected and the final bid price is known, ORS will petition the Commission for an order requiring Water Services Corporation to compensate the contractor for the audit.

This letter is intended for informational purposes only at this time. ORS will provide the Commission with the management audit report once it is completed.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "C. Lessie Hammonds".

C. Lessie Hammonds

cc: John M.S. Hoefer, Esquire
Jessica J.O. King, Esquire
Charles Cook, Esquire
Scott Elliott, Esquire
Julie F. McIntyre, Esquire
Paul Hershey